

UNITED STATES OF AMERICA
POSTAL REGULATORY COMMISSION
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;
Mark Acton, Vice Chairman;
Ruth Y. Goldway;
Tony Hammond; and
Nanci E. Langley

Competitive Product Prices
Inbound Parcel Post (at UPU Rates)

Docket No. CP2015-24

ORDER ACCEPTING CHANGES IN RATES
FOR INBOUND PARCEL POST (AT UPU RATES)

(Issued December 29, 2014)

I. INTRODUCTION

The Postal Service proposes a change in rates not of general applicability for Inbound Parcel Post (at Universal Postal Union (UPU) Rates) effective January 1, 2015.¹ For the reasons discussed below, the Commission finds that the planned price changes satisfy applicable statutory criteria.

¹ Notice of the United States Postal Service of Filing Changes in Rates Not of General Applicability for Inbound Parcel Post (at UPU Rates) and Application for Non-Public Treatment, December 16, 2014, at 1-2 (Notice). No changes to the classification of Inbound Parcel Post (at UPU Rates) are included with the Notice. *Id.* at 2.

II. BACKGROUND

At the time it established separate product lists for market dominant and competitive products in 2007, the Commission assigned Air Parcel Post to the competitive product list.²

During 2009, Air Parcel Post was bifurcated.³ In Order No. 362, the existing product, Air Parcel Post, was renamed Inbound Air Parcel Post (at non-UPU Rates). *Id.* at 8-9. In that same Order, the Commission approved the addition of a new product, Inbound Air Parcel Post (at UPU Rates), to the competitive product list. *Id.* An initial review of the new product's rates indicated compliance with statutory requirements. *Id.* On June 26, 2014, the Commission accepted proposed price changes for Inbound Air Parcel Post (at UPU Rates).⁴

On August 19, 2014, the Commission approved the Postal Service's request to: (1) transfer Inbound Surface Parcel Post (at UPU Rates) from the market dominant product list to the competitive product list; (2) to merge the transferred product with Inbound Air Parcel Post (at UPU Rates); and (3) to identify the merged product as Inbound Parcel Post (at UPU Rates).⁵ An initial rate review indicated compliance with statutory requirements. *Id.* at 7.

² Docket No. RM2007-1, Order No. 43, Order Establishing Ratemaking Regulations for Market Dominant and Competitive Products, October 29, 2007, at 100.

³ Docket Nos. MC2010-11 and CP2010-11, Order Adding Inbound Air Parcel Post at UPU Rates to Competitive Product List, December 15, 2009 (Order No. 362).

⁴ Docket No. CP2014-52, Order Accepting Price Changes for Inbound Air Parcel Post (at UPU Rates), June 26, 2014 (Order No. 2102). In Order No. 2102, the Commission also directed the Postal Service to provide, in future filings, a citation to where the applicable inward land rates can be located in the relevant UPU International Bureau (IB) Circular and to provide a copy of that circular. *Id.* at 5. In addition, the Commission directed the Postal Service to provide an update, as part of each filing, of information and data that had been provided in the Management Analysis that had accompanied the prices proposed for Inbound Air Parcel Post (at UPU Rates). *Id.* at 5-6. The Postal Service's Notice in this proceeding provides the information that Order No. 2102 directed the Postal Service to file.

⁵ Docket No. MC2014-28, Order No. 2160, Order Approving Product List Transfer, August 19, 2014, at 8.

III. THE POSTAL SERVICE RATE PROPOSAL IN THE CURRENT PROCEEDING

The Notice, filed pursuant to 39 C.F.R. § 3015.5, includes UPU International Bureau (IB) Circular 206, dated December 1, 2014, which sets the new rates in Table 1. Notice, Attachment 3 at 2. The Postal Service maintains that the planned rates are in accordance with the terms of the Governors' Decision No. 14-04. Notice at 2. It therefore asserts that it has established that the new rates are in compliance with the requirements of 39 U.S.C. § 3633(a)(2) and that it has met its burden of providing notice to the Commission of changes in rates within the scope established by Governors' Decision No. 14-04, as required by 39 U.S.C. § 3632(b)(3). *Id.* at 4.

IV. COMMENTS

The Public Representative filed comments on December 23, 2014.⁶ No other comments were received. Based upon her review of the financial model, she states that it appears the rates, in total, for Inbound Parcel Post (at UPU Rates) should generate sufficient revenues to cover costs and to provide an appropriate share to the institutional costs of the Postal Service. PR Comments at 2. She therefore recommends that the proposed rates be accepted. *Id.*

V. COMMISSION ANALYSIS

The Commission reviews price changes for competitive products in terms of the criteria in 39 U.S.C. § 3633(a). These criteria prohibit the subsidization of competitive products by market dominant products (§ 3633(a)(1)); require each competitive product to cover its attributable costs (§ 3633(a)(2)); and require competitive products as a whole to cover an appropriate share of institutional costs (§ 3633(a)(3)).

The Commission has reviewed the Notice, supporting documentation, and the Public Representative's comments in light of the criteria in 39 U.S.C.

⁶ Public Representative Comments on the Notice of the United States of Filing Changes in Rates Not of General Applicability, December 23, 2014 (PR Comments).

§§ 3633(a)(1)-(a)(3). As a result of this review, the Commission finds that the rates presented in the Notice should not lead to the subsidization of competitive products by market dominant products; should cover attributable costs; and should have a positive effect on the contribution that competitive products make to institutional costs. Thus, the Commission finds that the planned rates for Inbound Parcel Post (at UPU Rates) satisfy the relevant statutory criteria and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.

VI. ORDERING PARAGRAPHS

It is ordered:

1. The Commission finds that the planned rates for Inbound Parcel Post (at UPU Rates), scheduled to take effect January 1, 2015, are in accordance with the relevant statutory and regulatory requirements of 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7.
2. Consistent with Order No. 2102, the Postal Service is directed to provide, in future filings concerning rates for Inbound Parcel Post (at UPU Rates), a citation to the relevant IB Circular (including annex and page number); a copy of the relevant IB Circular; and an update to the information and data appearing in Annex 1, Attachment 3 to the Notice.

By the Commission.

Shoshana M. Grove
Secretary